

EMADLANGENI LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2018**

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

Mayor	Cllr. L.Y. Mhlungu
Deputy Mayor	Cllr. N. Ndlovu
Speaker	Cllr. Z.H. Madi
Member	Cllr.H.M Mthethwa
Member	Cllr. V.C Ndlovu (MPAC Chairperson)
Member	Cllr. F. Mlambo
Member	Cllr.F.G.S Smook
Member	Cllr.M.J. Mthethwa
Member	Cllr. M.M. Booyens
Member	Cllr. N.A Madida
Member	Cllr. T.S. Buthelezi
Grading of local authority	Grade 1
Accounting Officer	Mr. L.C.T. Nkosi
Chief Finance Officer (CFO)	Miss S. Mhlophe
Auditors	The Auditor-General of South Africa Private Bag X9034 PIETERMARITZBURG 3200
Attorneys	Shepstone and Wylie
Bankers	Standard Bank
Registered office:	34 Voor Street Utrecht 2980
Postal address:	P.O. Box 11 Utrecht 2980
Telephone Number:	034 - 331 3041
Fax Number:	031 - 331 4312

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting and is responsible for the content and integrity of the annual financial statement and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statement fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with South African Statement of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These control are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances are above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

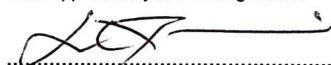
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 JUNE 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Council has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, the accounting officer is supported by the municipality's audit committee, internal and external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's financial statements. The financial statements were examined by the municipality's external auditors and their report is presented separately.

The annual financial statements set out on page 5 to 57 which have been prepared on the going concern basis, were approved by accounting officer.



Mr L.C.T Nkosi
Municipal Manager

LCT NKOSI

MUNICIPAL MANAGER

31 AUGUST 2018

DATE: 31/8/2018

EMADLANGENI LOCAL MUNICIPALITY

(Registration number KZN253)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues, and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated. The details of any changes in accounting policies are explained in relevant policy.

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and the figures are rounded off to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.4.1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.4.2 PROVISIONS

Provisions were raised and management determined as estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

1.4.3 ALLOWANCES FOR IMPAIRMENT

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4.3 IMPAIRMENT TESTING

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.4.4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 20 - Related Party Disclosures
- GRAP 32 - Service Concession Arrangements Grantor
- GRAP 34 - Separate Financial Statements
- GRAP 35 - Consolidated Financial Statements
- GRAP 36 - Investments Associated and Joint Ventures
- GRAP 37 - Joint Arrangements
- GRAP 38 - Disclosure of Interests in other Entities
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by Principles and Agents
- GRAP 110 - Living and non Living Resources

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1.6.1 INITIAL RECOGNITION

The cost of an items of property, plant and equipment are recognised as assets when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the cost thereof can be measured reliably.

On acquisition date assets are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.6.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.6.3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Item	Average useful life
Land	Indefinite
Buildings	10-30 years
Plant and machinery	2-10 years
Furniture and office equipment	2-7 years
Motor vehicles	2-8 years
Computer equipment	2-8 years
Community Assets	2-45 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting

1.6.4 IMPAIRMENT OF ASSETS

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7.4.1 NON- CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- > To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

1.6.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rental to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available for sale. Proceeds from sale of these assets are recognised as revenue. All cashflows on these assets are included in cash flows from operating activities in the cashflow statement.

1.6.6 ASSETS UNDER CONSTRUCTION

The cost of property, plant and equipment under construction as of the reporting is recognised as an asset if:

- it is probable that the future economic benefits or service potential associated with the item(s) will flow to the municipality.
- the cost or fair value of the item(s) can be measured reliably.

Assets under construction consist of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. The expenditure comprise of direct labour, materials and overheads, if appropriate. When assets under construction is completed and certificates of completion issued, they are transferred to the appropriate asset class.

Assets under construction are not depreciated as they are not in a condition necessary for it to be capable of operating in a manner intended by management.

1.6.7 SITE RESTORATION AND DISMANTLING COST

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred as decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of an asset, the excess is recognised immediately in surplus or deficit, and;
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on an impairment of cash-generating assets and/or impairment of non-cash generating assets.

1.7 INTANGIBLE ASSETS

1.7.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.7.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.7.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	1-5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.7.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 INVESTMENT PROPERTY

1.8.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is approved to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

ITEM	USEFUL LIFE
Land	Indefinite
Buildings	2-75 years

Compensation from 3rd parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality discloses relevant information relating to assets under construction or development, in notes to the financial statements.

1.9 HERITAGE ASSETS

Assets are resources controlled by municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Value in use of non-cash generating asset is the present value of the assets remaining service potential.

1.9.1 RECOGNITION

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.9.2 INITIAL MEASUREMENT

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of the acquisition.

1.9.3 SUBSEQUENT MEASUREMENT

After recognition heritage assets are carried at cost less accumulated impairment.

1.9.4 IMPAIRMENT

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9.5 TRANSFERS

Transfers from the heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when an asset meets the definition of a heritage asset.

1.9.6 DERECOGNITION

The municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.10 DIRECTIVE 7 - DEEMED COST

Use of deemed cost for property, plant and equipment, investment property, intangible assets and heritage assets

When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

An entity may have determined a deemed cost for an asset under another basis of accounting where information about the acquisition cost of the asset was unavailable. A deemed cost determined for an asset under another basis of accounting is acceptable for purposes of this Directive if it represents the fair value of the asset as or its cost or depreciated historical cost.

The eMadlangeni Municipality did not apply Directive 7 for Property, Plant & Equipment identified after the adoption of GRAP. These assets were identified in the current financial year and a correction of error is to be applied retrospectively a description of whether deemed cost was determined:

(i) using fair value or depreciated replacement cost for items of property, plant and equipment and investment properties; and

1.11 FINANCIAL INSTRUMENTS

1.11.1 CLASSIFICATION

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities
- Cash and cash equivalents

Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition.

The municipality has the following types of financial assets as reflected on the face of the statement of financial position:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Financial asset	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost

1.11.2 INITIAL RECOGNITION

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instrument.

1.11.3 SUBSEQUENT MEASUREMENT

The municipality measures all financial instruments after initial recognition at amortised cost and subject to impairment review.

1.12 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assess the classification of each element separately.

OPERATING LEASES - LESSOR

1.12.1

Operating lease revenue is recognised as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of the rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.13 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the municipality, if the proceeds of the policy can be only to pay or fund employee benefits under a defined benefit plan and are not available to the municipality's one creditors (even in liquidation) and cannot be paid to the municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations, or;
- the proceeds are returned to the municipality to reimburse it from employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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Other long term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefit that are not conditional on future payments.

Composite social security programmes are established by legislation and operate as a multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to their parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.13.1 Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee-benefits includes items such as :

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- non-monetary benefits (for example, medical care and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service;

- as a liability (accrued expense) after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (pre-paid expense) to the extent that the prepayment will lead to, for example a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in case of non-accumulating absences, when absences occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

1.13.2 Post-employment benefits

Post-employment benefits are employee benefits (Other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than estate plans and compose social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.13.3 Multi-employer plans and/or state plans and /or composite social security programmes

The municipality classifies a multi-employer plan and /or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms)

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

1.13.4 Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefits plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value as a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of or, changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or a negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of a plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount recognised as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine as a defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset;

- current service cost;
- interest cost;
- the expected return on any plan assets and on any re-imbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognise gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises;

- any resulting change in the present value of the defined obligation; and
- any resulting change in the fair value of the plan assets.

1.13.5 Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13.6 Other post retirement obligations

The municipality provides post-retirement health care benefits to some retirees.

The amount recognised as a liability for the long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date.
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset

- current cost
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- effect of any curtailments or settlements.

1.14 PROVISIONS

Provisions are recognised when;

- the municipality has a present or constructive obligation as a result of past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the provision can be made.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met;

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employments contracts or social benefit commitments are excluded.

1.16 REVENUE

1.16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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An exchange transactions is one in which the municipality receives assets or services, or has a liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.16.2 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16.2.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16.2.2 Rendering of services

When the outcome of a transaction involving the rendering of services can be stated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

1.16.2.3 Interest, royalties and dividends

Revenue arising from the use by others of entity's assets yielding interest, royalties and dividends or similar distribution is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16.3 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represent an increase in net assets, other than increases relating to contribution from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body, as a consequence of breach of laws or regulations.

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Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used but do not specify that future economic benefits or service potentials required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

1.16.3.1 Recognition

An inflow of resources from non-exchange transaction is recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16.3.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also recognised a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.16.3.3 Transfers

Apart from service in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.16.3.4 Fines

Fines are recognised as revenue when the receivable meets the definition and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.16.3.5 Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16.3.6 Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objective and/or do not satisfy the criteria for recognition, the municipality disclose the nature type of services in-kind received during the reporting period.

1.17 INVESTMENT INCOME

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, or in accordance with the purpose of the main division

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

- (a) this Act; or
- (b) any provincial legislation providing for procurement procedure in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write-off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the forms of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 1/07/2017 to 30/06/2018.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.23 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not in arms' length or not in the ordinary course of business are disclosed.

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1.24 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 GRATUITIES

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.26 OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.27 CHANGE IN ACCOUNTING ESTIMATE

Minister of Finance announced an increased in VAT on the current year budget speech and it was increased from 14% to 15% as from 1 April 2018.

The most important to note is the rule regarding time of supply. Section 9(1) of the VAT act states that "a supply of goods or services...be deemed to take place at the time an invoice is issued by the supplier or the recipient in respect of that supply or the time any payment of consideration is received by the supplier in respect of that supply, whichever time is earlier".

The rate increase means that if an invoice is raised with an invoice date before 1 April, it must include VAT at a rate of 14% and must be captured as such, even if captured in a period after 1 April. The VAT rate depends on the time of supply, not the date you receive and capture an invoice.

VAT inputs can be claimed up to 5 years from the invoice date. This means that systems will need to manage dual rates up to 31 March 2023, or until the VAT rate changes again.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

Figures in Rand	Note(s)	2 018	Restated 2017
Assets			
Current assets			
Trade and Receivable from exchange transactions	8	10 690 924	9 954 270
Trade and Receivable from non exchange transactions	9	13 523 832	5 224 019
VAT Receivables	10	5 221 970	5 921 687
Financial Asset	11	348 072	321 611
Cash and cash equivalents	3	7 538 350	14 827 721
		37 323 148	36 249 308
Non-current assets			
Investment property	4	41 703 488	42 453 114
Property, plant and equipment	5	117 350 903	107 646 195
Intangible assets	6	644 028	1 003 755
Heritage assets	7	1 190 580	1 190 580
		160 888 999	152 293 644
Total assets		198 212 147	188 542 953
Liabilities			
Current liabilities			
Payables from exchange transactions	12	13 954 582	12 579 114
Payables from non-exchange transactions	13	2 516 493	2 889 451
Consumer deposits	14	165 705	165 705
Current portion of provisions - employee benefits	15	257 000	245 000
Unspent Conditional Grants	16	669 048	6 218 015
Current portion of long term loan	17	76 523	68 879
		17 639 351	22 166 165
Non- Current Liabilities			
Non-Current Provisions - Employee Benefits	15	2 473 349	2 167 350
Non-current portion - Long term loan	17	674 328	676 967
Provisions - Landfill Site	18	12 577 605	8 382 892
		15 725 282	11 227 209
Total liabilities		33 364 632	33 393 374
Net assets		164 847 515	155 149 579
Accumulated surplus		164 847 515	155 149 579
Total net assets		164 847 515	155 149 579

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Figures in Rand	Note(s)	2 018	Restated 2017
Revenue			
<i>Revenue from non-exchange transactions</i>			
Fines, penalties and forfeits		303 585	2 407 568
Interest on late payments - property rates		1 905 951	-
Property rates	<u>20</u>	15 424 680	13 560 777
Transfers and subsidies	<u>21</u>	48 719 967	49 021 216
<i>Revenue from non-exchange transactions</i>	<u>19</u>	<u>66 354 183</u>	<u>64 989 562</u>
<i>Revenue from exchange transactions</i>			
Service charges	<u>22</u>	13 961 297	13 770 776
Rental of facilities and equipment	<u>23</u>	1 050 072	979 142
Licences and permits	<u>24</u>	855 882	841 907
Sale of goods and rendering of services	<u>25</u>	427 645	381 112
Interest received - investment	<u>26</u>	1 141 783	1 529 509
Operational revenue	<u>27</u>	488 330	45 745
<i>Revenue from exchange transactions</i>		<u>17 925 010</u>	<u>17 548 189</u>
Total Revenue (A)	<u>19</u>	<u>84 279 193</u>	<u>82 537 751</u>
<i>Expenditure (classified by nature)</i>			
Employee related costs	<u>28</u>	32 016 082	24 981 664
Councillor remunerations	<u>29</u>	3 185 252	3 030 075
Depreciation	<u>30</u>	11 012 818	9 297 523
Finance Charges		3 309	33 723
Contracted Services	<u>31</u>	7 007 745	14 598 363
Inventory consumed	<u>32</u>	1 146 976	2 700 658
Operating leases		22 441	29 105
Operational expenses	<u>33</u>	8 639 611	12 047 116
Bulk purchases		11 501 147	11 452 059
Total Expenditure (B)		<u>74 535 380</u>	<u>78 170 287</u>
Operational surplus		9 743 813	4 367 464
Discontinued operation		(45 878)	3 688
Impairment loss			8 072
Surplus/(Deficit) for the year (A-B)		<u>9 697 935</u>	<u>4 363 080</u>

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Figures in Rand	Accumulated surplus	Total net assets
Balance 1 July 2016	148 533 760	148 533 760
Adjustment to opening Accumulated Surplus	1 438	1 438
Surplus for the period	5 371 591	5 371 591
Balance 30 June 2017	153 906 789	153 906 789
Correction of prior year error	1 242 790	1 242 790
Restated balance 1 July 2017	155 149 579	155 149 579
Surplus for the period	9 697 935	9 697 935
Balance 30 June 2018	164 847 515	164 847 515

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

Figures in Rand	Note(s)	2018	2017
Cash flow from operating activities			
Receipts			
Sale of goods and services		23 292 471	28 111 814
Transfers and subsidies		48 485 000	52 532 000
Interest Receipts		1 141 783	1 529 509
Other receipts		488 330	1 413 286
		73 407 584	83 586 609
Payments			
Employee related costs and councillors remuneration		(34 700 163)	(31 007 268)
Suppliers		(26 344 439)	(34 799 271)
Interest paid		(3 309)	(346 790)
		(61 047 911)	(66 153 329)
Net cash flow from operating activities	35.	12 359 674	17 433 280
Cash flows from investing activities			
Purchase of property, plant and equipment		(19 282 127)	(22 517 349)
Purchase of intangible assets		(371 923)	(1 033 103)
Purchase of financial assets		-	(21 611)
Net cash flow from investing activities		(19 654 050)	(23 572 063)
Cash flows from financing activities			
Movement long term loan	17	5 005	(61 976)
Net increase/decrease in cash and cash equivalents		(7 289 371)	(6 200 759)
Cash and cash equivalents beginning of year		14 827 722	21 028 481
Cash and cash equivalents end of year	3	7 538 350	14 827 722

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original Budget	Budget adjustments (i.t.o.s28 and 31)	Final Budget	Shifting of funds (i.t.o 31 of MEMA)	Virement (i.t.o council approved)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reason for Material Variance
Fines, penalties and forfeits	861 073	(680 342)	180 731	-	-	303 585		(122 853)	68%	This is attributed by system which is not linked to other
Property rates	18 983 035	(400 000)	18 583 035	-	-	17 330 631		1 252 404	-7%	
Transfers and subsidies	50 485 000	1 000 000	51 485 000	-	-	48 719 967		2 765 033	-5%	
Service charges	16 699 034	271 414	16 970 448	-	-	13 961 297		3 009 151	-18%	This is caused by increase in electricity losses.
Rental of facilities and equipment	1 877 278	(1 065 381)	811 897			1 050 072		(238 175)	29%	This is caused by decrease in bookings at game and caravan park.
Licences and permits	1 554 408	(1 043 199)	511 209			855 882		(344 673)	67%	This is caused by decrease in hunting and other activities at game and caravan park.
Other revenue	6 499 549	(3 307 469)	3 192 080			915 975		2 276 105	-71%	This is attributed by decrease in volume of bookings, which had a negative impact on other source of revenue.
Interest received - investment	1 529 430	769 000	2 298 430			1 141 783		1 156 647	-50%	This is caused by higher spending of grants which decreases investments.
Total Revenue (excluding capital transfers and contributions)	98 488 807	(4 455 977)	94 032 830	-	-	84 279 193	-	9 753 637		
Employee related costs	30 172 814	(72 006)	30 100 809	-	-	32 016 082	1 915 273	(1 915 273)	6%	
Councillor remunerations	3 500 378		3 500 378	-	-	3 185 252		315 126	-9%	
Depreciation	4 598 897		4 598 897	-	-	11 012 818	6 413 921	(6 413 921)	139%	This was caused under budgeting
Finance Charges	78 888		78 888	-	-	3 309		75 579	-96%	This was caused by over-budgeting.
Contracted Services	7 026 976	(1 028 447)	5 998 529	-	-	7 007 745	1 009 216	(1 009 216)	17%	This was caused by non appointment of senior management, which resulted to lower spending on programs.
Other expenditure	17 864 424	(1 922 604)	15 941 820			14 105 007		1 836 813	-12%	This was caused by non appointment of senior management, which resulted to lower spending on programs.
Bulk purchases	12 236 523		12 236 523			11 501 147		735 376	-6%	
Debt impairment	1 544 338		1 544 338			(4 250 101)		5 794 439	-375%	This was caused by reduction of debts, which impacted on the calculation.
Total expenditure	77 023 238	(3 023 057)	74 000 181	-	-	74 581 258	9 338 410	(581 077)		
Surplus/(Deficit)	21 465 569	(1 432 920)	20 032 649	-	-	9 697 935	(9 338 410)	10 334 715		

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for Material Variance
Current assets	36 617 000	(3 767 000)	32 850 000	-	-	32 850 000	37 323 148	4 473 148	11.98%	This was caused by higher spending on grants which decreases investments.
Trade and Receivable from exchange transactions	15 704 000	(4 191 000)	11 513 000	-	-	11 513 000	10 690 924			
Trade and Receivable from non exchange transactions		-	-	-	-	-	13 523 832			
VAT Receivables	8 937 000	2 353 000	11 290 000	-	-	11 290 000	5 221 970			
Financial Asset	322 000	26 000	348 000	-	-	348 000	348 072			
Cash and cash equivalents	11 654 000	(1 955 000)	9 699 000	-	-	9 699 000	7 538 350			
Non-current assets	142 030 000	6 155 000	148 185 000	-	-	148 185 000	160 888 999	12 703 999	7.90%	
Investment property	43 203 000	(1 383 000)	41 820 000	-	-	41 820 000	41 703 488			
Property, plant and equipment	96 759 000	7 542 000	104 301 000	-	-	104 301 000	117 350 903			
Intangible assets	877 000	(4 000)	873 000	-	-	873 000	644 028			
Heritage assets	1 191 000	-	1 191 000	-	-	1 191 000	1 190 580			
Total assets	178 647 000	2 388 000	181 035 000	-	-	181 035 000	198 212 147	17 177 147	8.67%	
Liabilities										
Current Liabilities	6 214 000	(6 170 800)	43 200	-	-	43 200	17 639 351	17 596 151	99.76%	This was caused by under-budgeting.
Payables from exchange transactions	4 532 000	(6 820 000)	(2 288 000)	-	-	(2 288 000)	13 954 582			
Payables from non-exchange transactions							2 516 493			
Consumer deposits	165 000	1 000	166 000			166 000	165 705			
Current portion of provisions - employee benefits	1 484 000	645 000	2 129 000			2 129 000	257 000			
Unspent Conditional Grants			-			-	669 048			
Current portion of long term loan	33 000	3 200	36 200			36 200	76 523			
Non-Current liabilities	11 954 000	(102 000)	11 852 000	-	-	11 852 000	15 725 282	3 873 282	24.63%	This was caused by under-budgeting.
Non-Current Provisions - Employee Benefits	11 243 000	(37 000)	11 206 000	-	-	11 206 000	2 473 349			
Non-current portion - Long term loan	711 000	(65 000)	646 000			646 000	674 328			
Provisions - Landfill Site			-			-	12 577 605			
Total liabilities	18 168 000	(6 272 800)	11 895 200	-	-	11 895 200	33 364 632	21 469 432	64.35%	This was caused by under-budgeting.
Accumulated Surplus/Net assets	160 479 000	8 660 800	169 139 800	-	-	169 139 800	164 847 514	(4 292 286)	-2.60%	

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Comparison of Budget and Actual Amounts

	Original Budget	Budget adjustments (i.e. s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.e. 31 of MFMA)	Virement (i.e. council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Reason for Material Variance
Figures in Rand											
Cash flows											
Net cash from (used) operating	10 378 000	724 000	11 102 000			11 102 000	12 359 674		1 257 674	11%	This was caused by over-budgeting. This was caused by over-budgeting.
Net cash from (used) investing	(19 744 000)	(2 679 000)	(22 423 000)			(22 423 000)	(19 654 050)		2 768 950	-12%	
Net cash from (used) financing	(33 000)		(33 000)			(33 000)	5 005		38 005	-115%	
Net increase/(decrease) in cash and cash equivalents	(9 399 000)	(1 955 000)	(11 354 000)	-	-	(11 354 000)	(7 289 371)	-	4 064 629	64%	This was caused by higher spending on grants which decreases investments.
Cash and cash equivalents at the beginning of the year	21 053 000		21 053 000			21 053 000	14 827 722		(6 225 278)	70%	
Cash and cash equivalents at the end of the year	11 654 000	(1 955 000)	9 699 000	-	-	9 699 000	7 538 351	-	(2 160 649)	78%	

Figures in Rand	2018	2017
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3. Cash and cash equivalents

Cash and cash equivalent consist of:

Cash on hand	1 083	583
Main Bank balance	840 459	286 131
Short-term deposits	6 696 807	14 541 007
	7 538 350	14 827 721

Municipality had the following bank accounts

Primary Bank Account	06 010 0001
MIG 16/17 -	06 850 0947 - 075
INEP	
INEP 16/17	06 850 094 7 - 072
INEP17/18	06 850 094 7 - 085
Nguni Cattle	42 850 052 1 - 003
Small Town Rehabilitation	06 850 094 7 - 079
KZN Wildlife	06 850 094 7 - 070
VAT refund account	42 880 052 1 - 002
EPWP 16/17	06 850 094 7 - 078
FMG 16/17	06 850 094 7 - 077
Proceeds from auction	06 850 094 7 - 050
Housing	
Repairs 376 houses	06 850 418 7 - 001
Housing Operating account	06 850 094 7 - 033
General investments	06 850 094 7 - 030
Library Grant 16/17	06 850 094 7 - 080
MIG 17/18	06 850 094 7 - 081
FMG 17/18	06 850 094 7 - 082
Consumer Deposits	06 850 094 7 - 084

Bank statement balances		Cashbook balances		
2018	2017	2018	2017	2016
840 456	286 147	840 459	286 131	6 645 036
117 407	2 934 760	117 407	2 934 760	-
8 916	4 654 546			
1 832 998	-	1 841 913	4 654 545	-
119 945	112 864	119 945	112 864	105 885
27 859	8 157	27 859	8 157	-
705 454	663 806	705 454	663 806	622 759
5 001	1 630 856	5 001	1 630 856	6 110 507
427 367	329 193	427 367	329 193	-
27 748	26 851	27 748	26 851	-
781 000	731 974	781 000	731 974	684 157
				2 167 414
1 617 789				-
75 349		1 693 138	2 015 256	-
8 256	1 423 878	8 265	1 423 887	1 335 168
279 863	8 857	279 863	8 857	
108 466		108 466	-	
377 618		377 618	-	
175 762		175 762	-	
7 537 254	12 811 888	7 537 266	14 827 138	17 670 927

Figures in Rand	2018	2017
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4. Investment Property

	30 June 2018			30 June 2017		
	Cost/Valuation	depreciation and accumulated impairment	Carrying Value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Investment property	51 888 435	(10 184 946)	41 703 488	51 888 435	(9 435 321)	42 453 114

Reconciliation of investment property - 2018

	Opening Balance	Depreciation	Carrying value
Investment property	42 453 113	(749 625)	41 703 488

Reconciliation of investment property - 2017

	Opening Balance	Depreciation	Carrying value
Investment property	43 202 739	(749 626)	42 453 113

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Property, Plant and Equipment

	30 June 2018			30 June 2017		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Land	1 616 765		1 616 765	1 616 765		1 616 765
Buildings	19 330 363	(8 961 447)	10 368 917	19 330 363	(8 173 608)	11 156 755
Plant & Machinery	3 585 222	(2 040 823)	1 544 399	3 636 455	(1 799 554)	1 836 901
Furniture & Office Equipment	2 409 421	(1 650 380)	759 041	2 541 539	(1 533 403)	1 008 136
Motor Vehicles	5 111 473	(2 930 876)	2 180 598	5 125 541	(2 399 680)	2 725 860
Computer Equipment	1 413 335	(837 639)	575 696	1 849 126	(1 069 243)	779 883
Infrastructure	139 350 464	(46 210 978)	93 139 487	120 134 589	(38 941 755)	81 192 834
Community Assets	9 067 434	(1 901 433)	7 166 001	9 067 434	(1 738 372)	7 329 062
Total	181 884 477	(64 533 574)	117 350 903	163 301 811	(55 655 615)	107 646 195

Figures in Rand	2018	2017
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5. Property, plant and equipment (continued)

Year Ended 30 June 2018 - Reconciliation of Property, Plant and Equipment Carrying Values/NBV

	Opening Balance	Additions	Reclassification	Disposals	Work In Progress	Other changes, movements	Depreciation	Impairment	Total
Land	1 616 765								1 616 765
Buildings	11 156 753						(787 838)		10 368 915
Plant & Machinery	1 836 901	61 724		(13 806)			(340 421)		1 544 399
Furniture & Office Equipment	1 008 136			(13 506)			(235 589)		759 041
Motor Vehicles	2 725 861			(137)			(545 126)		2 180 598
Computer Equipment	779 883	4 528		(18 429)			(190 285)		575 696
Infrastructure	81 192 834				19 215 875		(7 269 223)		93 139 486
Community Assets	7 329 062						(163 061)		7 166 002
Total	107 646 195	66 252	-	(45 877)	19 215 875	-	(9 531 543)	-	117 350 902

Year Ended 30 June 2018 - Reconciliation of WIP/Work In Progress

	Opening Balance	Additions	Transfers	Closing Balance
Infrastructure				
Roads and storm water infrastructure	4 787 061	7 215 875	(6 275 532)	5 727 404
Electricity infrastructure	24 071 246	12 000 000		36 071 246
Community Assets	4 071 918			4 071 918
Total WIP/Work In Progress	32 930 225	19 215 875	(6 275 532)	45 870 568

The municipality has faced challenges in completing the rural electrification project (carrying value R36 071 246). Disputes with farm owners, relating to way leaves on the privately owned land has been a stumbling block. This has contributed negatively to the rural electricity programme progress. Once connections are complete the infrastructure will be handed over to Eskom.

Funding constraints have been faced on the construction of Bensdorp Sportsfield (Carrying value of R4 071 918). When the project was initiated it was envisaged that funding will come from the Department of Sports and Recreation as well as from the Municipal Infrastructure Grant (MIG). However, the MIG funds have not materialised as yet hence the long time its taking to complete the Sportsfield.

Figures in Rand

5. Property, plant and equipment (continued)

Year Ended 30 June 2017 - Reconciliation of Property, Plant and Equipment Carrying Values/NBV

	Opening Balance	Additions	Reclassification	Disposals	Work In Progress	Other changes, movements	Depreciation	Impairment	Total
Land	1 616 765	-	-	-	-	-	-	-	1 616 765
Buildings	11 919 986	26 449	1	-	-	-	(789 683)	-	11 156 753
Plant & Machinery	2 106 084	107 242	6 745	-	-	13 760	(389 111)	(7 819)	1 836 901
Furniture & Office Equipment	517 048	621 464	(5 587)	3 482	-	86 740	(199 064)	(253)	1 008 136
Motor Vehicles	3 313 389	-	1	36	-	-	(587 565)	-	2 725 861
Computer Equipment	498 075	440 311	69	8 578	-	793	(167 943)	-	779 883
Infrastructure	64 875 262	-	(1 229)	(8 408)	22 227 491	-	(5 900 282)	-	81 192 834
Community Assets	7 008 024	-	-	-	-	484 494	(163 455)	-	7 329 062
Total	91 854 633	1 195 466	-	3 688	22 227 491	585 787	(8 197 103)	(8 072)	107 646 195

Year Ended 30 June 2017 - Reconciliation of WIP/Work In Progress

	Opening Balance	Additions	Transfers	Closing Balance
Infrastructure				
Roads and storm water infrastructure	12 091 096	17 412 389	(24 716 424)	4 787 061
Electricity infrastructure	19 256 144	4 815 102	-	24 071 246
Community Assets	4 071 918	-	-	4 071 918
Total WIP/Work In Progress	35 419 158	22 227 491	(24 716 424)	32 930 225

The municipality has faced challenges in completing the rural electrification project (carrying value R24 071 246). Disputes with farm owners, relating to way leaves on the privately owned land has been a stumbling block. This has contributed negatively to the rural electricity programme progress. Once connections are complete the infrastructure will be handed over to Eskom.

Funding constraints have been faced on the construction of Bensdorp Sportsfield (Carrying value of R4 071 918). When the project was initiated it was envisaged that funding will come from the Department of Sports and Recreation as well as from the Municipal Infrastructure Grant (MIG). However, the MIG funds have not materialised as yet hence the long time its taking to complete the Sportsfield.

Figures in Rand

6. Intangible Assets

	30 June 2018			30 June 2017		
	Accumulated depreciation and accumulated impairment			Accumulated depreciation and accumulated impairment		
	Cost/Valuation	impairment	Carrying Value	Cost/Valuation	impairment	Carrying Value
Computer software	3 103 619	(2 459 591)	644 028	2 731 696	(1 727 942)	1 003 755

Reconciliation of intangible assets - 2018

	Opening Balance	Additions	Depreciation	Carrying value
Computer software	1 003 755	371 923	(731 649)	644 028

Reconciliation of intangible assets - 2017

	Opening Balance	Additions	Depreciation	Carrying value
Computer software	304 315	1 033 102	(333 662)	1 003 755

7. Heritage Assets

	30 JUNE 2018			30 JUNE 2017		
	Accumulated depreciation and accumulated impairment			Accumulated depreciation and accumulated impairment		
	Cost/Valuation	impairment	Carrying Value	Cost/Valuation	impairment	Carrying Value
Heritage Assets - Historical buildings	1 490 000	(299 419)	1 190 580	1 490 000	(299 419)	1 190 580

Reconciliation of heritage assets - 2018

	Opening Balance	Depreciation	Carrying value
Heritage Assets - Historical buildings	1 190 581	-	1 190 581

Reconciliation of heritage assets - 2017

	Opening Balance	Depreciation	Carrying value
Heritage Assets - Historical buildings	1 190 581	-	1 190 581

EMADLANGENI LOCAL MUNICIPALITY

(Registration number KZN253)

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
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8. Receivables from exchange transactions

Gross balances

Electricity	10 578 571	9 386 755
Refuse	2 444 874	2 840 843
Sundry debtors	1 261 175	741 071
Other debtors	55 114	59 599
	<u>14 339 734</u>	<u>13 028 268</u>

Less: Allowance for impairment

Electricity	(1 802 722)	(2 082 421)
Refuse	(1 170 227)	(854 276)
Sundry debtors	(675 860)	(137 301)
	<u>(3 648 809)</u>	<u>(3 073 998)</u>

Net balance

Electricity	8 775 849	7 304 334
Refuse	1 274 646	1 986 567
Sundry debtors	585 315	603 770
Other debtors	55 114	59 599
	<u>10 690 924</u>	<u>9 954 270</u>

Aging per service

Electricity

Current (0-30 days)	1 187 708	5 113 034
31 - 60 days	90	1 460 867
61 - 90 days	326 209	365 216
91 - 120 days	187 809	365 217
121 to more than 365	8 876 755	
	<u>10 578 572</u>	<u>7 304 334</u>

Refuse

Current (0-30 days)	204 408	1 291 268
31 - 60 days	358	397 313
61 - 90 days	69 927	198 657
91 - 120 days	63 218	99 328
121 to more than 365	2 106 963	
	<u>2 444 874</u>	<u>1 986 566</u>

Figures in Rand	2018	Restated 2017
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8. Receivables from exchange transactions (continued)**Sundry debtors**

Current (0-30 days)	48 399	452 828
31 - 60 days	0	150 943
61 - 90 days	13 040	
91 - 120 days	9 677	
121 to more than 365	1 183 329	
	1 254 445	603 771

AGING PER CUSTOMER CLASSIFICATION**Electricity**

Organs of State	6 852 461	6 287 437
Commercial	848 519	1 079 773
Households	516 078	560 063
Other	2 361 513	1 389 443
	10 578 571	9 316 716

Organs of State

Current (0-30 days)	352 663	680 384
31 - 60 days	278 725	-
61 - 90 days	184 836	192 529
91 - 120 days	90 512	187 596
121 to more than 365	5 945 724	5 226 928
	6 852 461	6 287 437

Commercial

Current (0-30 days)	204 820	432 876
31 - 60 days	66 589	-
61 - 90 days	49 410	39 232
91 - 120 days	32 342	29 861
121 to more than 365	495 358	577 803
	848 519	1 079 773

Households

Current (0-30 days)	102 268	194 335
31 - 60 days	25 750	-
61 - 90 days	15 575	22 000
91 - 120 days	1 087	13 516
121 to more than 365	371 398	330 212
	516 078	560 063

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)
NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
8. Receivables from exchange transactions (continued)		
Other		
Current (0-30 days)	82 210	103 727
31 - 60 days	74 772	-
61 - 90 days	76 388	25 933
91 - 120 days	61 968	20 030
121 to more than 365	2 066 175	1 239 752
	2 361 513	1 389 443
Refuse		
Organs of State	152 090	133 542
Commercial	82 420	68 330
Households	1 351 576	1 145 472
Other	858 789	602 086
	2 444 874	1 949 431
Organs of State		
Current (0-30 days)	4 448	7 715
31 - 60 days	3 563	-
61 - 90 days	3 207	2 585
91 - 120 days	3 028	2 437
121 to more than 365	137 842	120 806
	152 090	133 542
Commercial		
Current (0-30 days)	9 822	13 243
31 - 60 days	5 162	-
61 - 90 days	3 647	2 295
91 - 120 days	2 826	2 007
121 to more than 365	60 964	50 785
	82 420	68 330
Households		
Current (0-30 days)	69 872	106 156
31 - 60 days	44 613	-
61 - 90 days	35 302	35 394
91 - 120 days	29 659	33 649
121 to more than 365	1 172 130	970 272
	1 351 576	1 145 472

Figures in Rand	2018	Restated 2017
8. Receivables from exchange transactions (continued)		
Other		
Current (0-30 days)	35 716	64 006
31 - 60 days	31 570	
61 - 90 days	27 771	27 458
91 - 120 days	27 805	26 611
121 to more than 365	735 927	484 011
	<u>858 789</u>	<u>602 086</u>
Sundry debtors		
Organs of State	56 390	
Commercial	369 520	
Households	358 716	
Other	469 820	
	<u>1 254 446</u>	
Organ of state		
Current (0-30 days)	3 000	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
121 to more than 365	53 390	
	<u>56 390</u>	
Commercial		
Current (0-30 days)	3 201	
31 - 60 days	2 647	
61 - 90 days	2 800	
91 - 120 days	2 800	
121 to more than 365	358 071	
	<u>369 519</u>	
Households		
Current (0-30 days)	12 470	
31 - 60 days	6 866	
61 - 90 days	7 765	
91 - 120 days	4 902	
121 to more than 365	326 713	
	<u>358 716</u>	

Figures in Rand	2018	Restated 2017
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8. Receivables from exchange transactions (continued)

Other

Current (0-30 days)	18 030	
31 - 60 days	2 030	
61 - 90 days	2 475	
91 - 120 days	1 975	
121 to more than 365	445 311	
	<u>469 820</u>	

Reconciliation of allowance for impairment

Balance at the beginning of the year	3 073 998	4 226 368
Contribution to allowance	574 811	(828 702)
Debt written off	-	(323 668)
	<u>3 648 809</u>	<u>3 073 998</u>

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

9. Receivables from non-exchange transactions

Gross balances

Rates	22 669 320	19 189 267
Traffic Fines	908 086	693 245
	<u>23 577 407</u>	<u>19 882 512</u>

Less: Allowance for impairment

Rates	(9 407 651)	(14 232 563)
Traffic Fines	(645 924)	(425 930)
	<u>(10 053 575)</u>	<u>(14 658 493)</u>

Net balance

Rates	13 261 669	4 956 704
Traffic Fines	262 163	267 315
	<u>13 523 832</u>	<u>5 224 019</u>

Figures in Rand	2018	Restated 2017
9. Receivables from non-exchange transactions (continued)		
Aging per service		
Rates		
Current (0-30 days)	16 798	1 523 274
31 - 60 days	15 808	-
61 - 90 days	9 720	487 572
91 - 120 days	3 589	476 118
121 to more than 365	351 151	16 345 547
	<u>397 066</u>	<u>18 832 511</u>
Fines		
Current (0-30 days)	-	
31 - 60 days	-	
61 - 90 days	-	
91 - 120 days	-	
121 to more than 365	908 086	693 245
	<u>908 086</u>	<u>693 245</u>
Reconciliation of allowance for impairment		
Balance at the beginning of the year	(14 232 563)	(11 748 975)
Contribution to allowance	4 824 912	(2 483 588)
Debt written off		
	<u>(9 407 651)</u>	<u>(14 232 563)</u>
Impairment exchange transaction	(3 648 809)	(3 073 998)
Impairment non-exchange transaction	(9 407 651)	(14 232 563)
	<u>(13 056 460)</u>	<u>(17 306 561)</u>
AGING PER CUSTOMER CLASSIFICATION		
Property rates		
Organs of State	5 156 326	4 179 689
Commercial	758 788	784 083
Households	3 470 231	3 028 442
Other	13 283 975	10 840 298
	<u>22 669 320</u>	<u>18 832 511</u>
Organs of State		
Current (0-30 days)	285 446	418 960
31 - 60 days	124 540	
61 - 90 days	121 930	157 026
91 - 120 days	119 801	149 232
121 to more than 365	4 504 609	3 454 470
	<u>5 156 326</u>	<u>4 179 689</u>
Commercial		
Current (0-30 days)	89 021	135 011
31 - 60 days	39 132	
61 - 90 days	31 997	22 667
91 - 120 days	20 454	29 125
121 to more than 365	578 183	597 279
	<u>758 788</u>	<u>784 083</u>

EMADLANGENI LOCAL MUNICIPALITY
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NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
9. Receivables from non-exchange transactions (continued)		
Households		
Current (0-30 days)	180 040	319 574
31 - 60 days	94 439	
61 - 90 days	64 362	69 578
91 - 120 days	51 717	66 719
121 to more than 365	3 079 673	2 572 570
	3 470 231	3 028 442
Other		
Current (0-30 days)	286 351	649 729
31 - 60 days	265 163	
61 - 90 days	248 338	238 300
91 - 120 days	244 127	231 042
121 to more than 365	12 238 458	9 721 228
	13 282 437	10 840 298
10 VAT Receivables		
Refund from SARS	630 190	5 921 687
VAT not yet claimed from SARS	4 591 780	
	5 221 970	5 921 687
11. Financial Asset		
Fixed deposit account - 06 850 094 7 - 083	348 072	321 611
12. Payables from exchange transactions		
Trade payables	6 329 370	6 650 190
Direct deposits, third parties and other	1 321 019	820 318
Deposits received	26 778	27 179
Retention liability	5 729 388	4 768 481
Credit balances receivables from exchange transactions	548 027	312 946
	13 954 582	12 579 114
13. Payables from non-exchange transactions		
Credit balances receivables from non-exchange transactions	397 066	649 309
Leave pay accrual	2 119 426	2 240 142
	2 516 493	2 889 451
14. Consumer deposits		
Electricity debtors	165 705	165 705

Figures in Rand	2018	Restated 2017
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15. Employee benefit obligation

Long Service Award

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on the actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 30 June 2018 by 3ONE Consulting Actuaries, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 100 employees (2017, 93 employees) were eligible for long-service awards.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.96%	8.55%
CPI (Consumer Price Index)	5.95%	5.84%
Salary increase rate	6.95%	6.84%
Net discount rate	1.88%	1.60%

Examples of mortality rates used were as follows:

Average retirement age	65	65
Mortality during employment	SA85-90	SA85-90

Health Care Benefits

The Municipality provides certain post-retirement health care benefits by funding the medical aid contribution of specific retired members of the municipality, no other retirees are entitled to this benefit. According to the rules of the Medical Aid Fund with which the municipality is associated, a member is entitled to remain a continued member of such a medical fund on retirement and the municipality is liable for certain portion of the medical aid membership fee. The municipality operates an unfunded benefit plan for these specific retirees. No other post-retirement benefits are provided to these retirees.

The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2018 by 3ONE Consulting Actuaries, a member of Actuarial Society of South Africa. The present value of the defined obligation, and related current service cost and past service cost were measured using the projected unit credit method. No other post retirement medical benefits are provided by the municipality.

Key assumptions used

Discount rate and effective discount rate - Yield curve and yield curve based respectively
CPI (Consumer Price Index)

Assumptions used at the reporting date

Discount rates used	9.12%	8.89%
Net discount rate	1.85%	1.60%
Expected increase in health costs	7.14%	7.17%
Consumer price index	6.14%	6.17%

Fully accrued retirement age	63	63
Normal retirement age	65	65

Mortality rate before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been used on the PA (90) ultimate mortality tables.

Figures in Rand	2018	Restated 2017
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15. Employee benefit obligation (continued)

The amounts recognised in the Statement of Financial Position were determined as follows:

Carrying value

Opening balance	2 412 350	2 859 000
Current service cost	82 000	83 000
Interest cost	202 000	261 000
Benefits paid	(214 001)	(195 650)
Actuarial gain/loss	248 000	(595 000)
	<u>2 730 349</u>	<u>2 412 350</u>

Non- current liability	2 473 349	2 167 350
Current liability	257 000	245 000
	<u>2 730 349</u>	<u>2 412 350</u>

Health Care benefits

Opening balance	1 490 971	1 971 000
Interest cost	126 000	172 000
Benefits paid	(162 093)	(159 029)
Actuarial gain/loss	161 000	(493 000)
	<u>1 615 878</u>	<u>1 490 971</u>

Long service award

Opening balance	921 379	888 000
Current service cost	82 000	83 000
Interest cost	76 000	89 000
Benefits paid	(51 909)	(36 621)
Actuarial gain/loss	87 000	(102 000)
	<u>1 114 470</u>	<u>921 379</u>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	82 000	83 000
Interest cost	202 000	261 000
Actuarial (gains)/losses	248 000	(595 000)
Total Employee Benefit included in		
Employee Related Costs	<u>532 000</u>	<u>(251 000)</u>

Health Care Benefits

Interest cost	126 000	172 000
Actuarial (gains)/losses	161 000	(493 000)
	<u>287 000</u>	<u>(321 000)</u>

Long Service Award

Current service cost	82 000	83 000
Interest cost	76 000	89 000
Actuarial (gains)/losses	87 000	(102 000)
	<u>245 000</u>	<u>70 000</u>

Figures in Rand	2018	Restated 2017
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16. Unspent Conditional Grants

Repair of 376 Houses	664 485	903 525
FMG Grant	7	6
INEG	484	5 314 484
Small town rehabilitation	4 073	-
	<u>669 048</u>	<u>6 218 015</u>

Movement of grants is disclosed in note 21

These amounts are invested in a ring fenced investment until utilised. All grants are cash backed refer to Note 7.

Unspent conditional grants are made up of the Integrated national Electrification Programme (INEP) grant and the 376 Houses from Disaster Storm Fund.

The condition for INEP grant is specific for the installation of electricity infrastructure to reduce backlog on houses that are not electrified. Minimum size supply is 1.2KVA after Diversity Maximum Demand (ADMD), 20 AMP per household connection.

The 376 houses was initially earmarked for the relief to the households affected by a disaster, subsequently permission was granted to use the funds for renovation.

17. Long term loan

DBSA Loan	<u>750 851</u>	<u>745 846</u>
Current portion of long-term loan	76 523	68 879
Long-term portion of loan	<u>674 328</u>	<u>676 967</u>
	<u>750 851</u>	<u>745 846</u>

The municipality acquired a loan from the Development Bank of Southern Africa (DBSA) to fund the construction of municipal main offices. The term of the loan is 20 years. Interest charged is prime linked and varies between 10.81% and 14.4% per annum payable every half yearly.

18. Provisions

Rehabilitation of landfill site	<u>12 577 605</u>	<u>8 382 892</u>
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Reconciliation of provisions - 2018

Opening balance	8 382 892	7 975 560
Contribution to provision	4 194 713	407 332
Closing balance	<u>12 577 605</u>	<u>8 382 892</u>

The provision is raised for the rehabilitation of waste disposal site to its original state once the site has reached the end of the useful life.

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(Registration number KZN253)
NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
19. Revenue from exchange transactions		
Service charges	13 961 297	13 770 776
Rental of facilities and equipment	1 050 072	979 142
Licences and permits	855 882	841 907
Sale of goods	427 645	381 112
Interest received - investment	1 141 783	1 529 508.54
Operational revenue	488 330	45 744.76
	17 925 010	17 548 189
Revenue from non-exchange transactions		
Fines, penalties and forfeits	303 585	2 407 568
Interest on late payments - property rates	1 905 951	-
Property rates	15 424 680	13 560 777
Transfers and subsidies	48 719 967	49 021 216
	66 354 183	64 989 562
TOTAL REVENUE	84 279 193	82 537 751
20. Property rates		
Property rates billed	16 883 210	16 666 000
Less: Income forgone	(1 458 530)	(3 105 223)
	15 424 680	13 560 777
Valuations		
Residential	284 437 000	281 561 000
Commercial	38 483 000	34 795 000
State	145 673 000	145 673 000
Municipal	48 005 000	47 469 000
Smallholdings and farms	1 646 975 000	1 646 975 000
Public Service Infrastructure	31 135 000	31 135 000
Schools (Private and Estate)	47 173 000	47 173 000
Land reform property	214 006 000	214 006 000
Other (PBO, Public worship, Vacant etc)	26 063 000	28 999 000
	2 481 950 000	2 477 786 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2018	Restated 2017
21. Transfers and subsidies		
Small town rehabilitation grant	995 927	5 000 000
New establishment and operational - Library	771 000	738 000
Energy efficiency and demand	12 000 000	5 489 216
Expanded Public Works Programme (EPWP)	1 000 000	1 284 000
Finance Management Grant (FMG)	1 900 000	1 825 000
Municipal Infrastructure Grant (MIG)	6 423 000	11 113 000
Equitable Share	25 391 000	23 572 000
Repair of 376 Houses	239 040	-
	48 719 967	49 021 216
Conditional and Unconditional Grants		
Conditional Grants	23 328 967	25 449 216
Unconditional Grants	25 391 000	23 572 000
	48 719 967	49 021 216
Movement of conditional grants		
Town Planning grant		
Opening balance	-	-
Current year's receipts	1 000 000	5 000 000
Current year expenses recognised as revenue	(995 927)	(5 000 000)
Unspent conditional grant	4 073	-
Energy efficiency and demand		
Opening balance	5 314 484	1 803 700
Current year's receipts	12 000 000	9 000 000
Current year expenses recognised as revenue	(12 000 000)	(5 489 216)
Withheld from Equitable share	(5 314 484)	-
Unspent conditional grant	-	5 314 484
Repair of 376 Houses		
Opening balance	903 525	903 525
Current year's receipts	-	-
Current year expenses recognised as revenue	(239 040)	-
Unspent conditional grant	664 485	903 525
Library grant		
Opening balance	-	-
Current year's receipts	771 000	738 000
Current year expenses recognised as revenue	(771 000)	(738 000)
Unspent conditional grant	-	-

EMADLANGENI LOCAL MUNICIPALITY
(Registration number KZN253)
NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
21. Transfers and subsidies (continued)		
MIG		
Opening balance	-	-
Current year's receipts	6 423 000	11 113 000
Current year expenses recognised as revenue	(6 423 000)	(11 113 000)
Unspent conditional grant	-	-
EPWP		
Opening balance	-	-
Current year's receipts	1 000 000	1 284 000
Current year expenses recognised as revenue	(1 000 000)	(1 284 000)
Unspent conditional grant	-	-
FMG		
Opening balance	-	-
Current year's receipts	1 900 000	1 825 000
Current year expenses recognised as revenue	(1 900 000)	(1 825 000)
Unspent conditional grant	-	-
22. Service charges		
Electricity	12 565 175	12 381 323
Refuse	1 396 122	1 389 453
	13 961 297	13 770 776
23. Rental of facilities		
Non-market related		
Ad-hoc rentals	1 050 072	979 142
24. Licences or permits		
Game	94 106	31 780
Trading	611	2 979
Transport	761 166	807 148
Drivers licence certificate	435 268	420 946
Leaner licence application	128 401	278 647
Motor vehicle licence	133 594	33 295
Operators and public drivers permit	63 902	74 260
	855 882	841 907

Figures in Rand	2018	Restated 2017
25. Sale of goods and rendering of services		
Consumables	84 578	213 256
Sub-division and consolidation fees	15 224	3 815
Agricultural - fresh farm produce (animals)	87	11 761
Tender documents	58 263	14 582
Building plans	61 925	27 037
Camping fees	120 412	8 259
Cemetery and burial	29 776	41 798
Clearance certificates	6 111	6 764
Entrance fees	48 608	46 158
Escort fees	314	590
Health services	120	240
Photocopies and faxes	2 227	6 854
	427 645	381 112
26. Interest on investment		
Short-term deposits	1 141 783	1 428 216
Fair value adjustment	-	101 293
	1 141 783	1 529 509
27. Operational revenue		
Administrative and handling fees	106 124	41 593
Breakages and losses recovered	1 200	4 152
Insurance refund	4 737	-
Agency fees	376 269	-
	488 330	45 745
28. Employee related costs		
Basic Salary	25 273 727	19 718 098
Acting and Post Related Allowance	119 241	311 812
Cellular and Telephone	20 000	45 290
Bonus	1 396 055	1 141 668
Bargain Council	512 905	510 476
Group life insurance	1 243	4 597
Medical Aid Contribution	735 176	708 800
Pension Contribution	2 155 074	1 349 920
Unemployment Insurance Fund	183 279	168 938
Housing Benefits	106 325	81 158
Standby Allowance	125 344	299 203
Overtime payments	503 787	543 577
Travel or motor vehicle	351 925	349 129
Actuarial gain/loss	213 000	(595 000)
Interest cost	319 000	344 000
	32 016 082	24 981 664

Figures in Rand	2018	Restated 2017
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28. Employee related costs (continued)

Remuneration of Municipal Manager

Annual remuneration	1 014 261	1 365 301
Phone allowance		16 200
	<u>1 014 261</u>	<u>1 381 501</u>

The Municipal Manager was acting from July 2017 to April 2018 and was appointed as Municipal Manager in the 2016/17 financial year there were 4 managers acting as Municipal Manager.

Remuneration of Chief Financial Officer

Annual remuneration	1 026 994	665 687
Car Allowance		9 697
Phone allowance	7 200	8 580
	<u>1 034 194</u>	<u>683 964</u>

During the year the Municipality had 2 different CFO namely W Mtusva and S Mhlophe

W Mtusva	517 136
S Mhlophe	517 059
	<u>1 034 194</u>

29. Councillors remuneration

Basic Salary	2 934 452	2 811 459
Cellphone	250 800	218 617
	<u>3 185 252</u>	<u>3 030 075</u>

Mayor	415 021	402 178
Deputy Mayor	336 576	304 388
Speaker	336 576	299 413
Executive Committee Member	316 966	281 970
Other Councillors	1 780 113	1 729 375
	<u>3 185 252</u>	<u>3 017 324</u>

The allowances and benefits of councillors of eMadlangeni Local Municipality for the year under review were paid in terms of Government Gazette 39548 (Upper limits of remuneration of public office bearers)

In-kind benefits

The Mayor is part-time and is provided with an office and secretarial support at the cost of the Council and has the use of Council owned vehicle for official duties and two drivers.

30. Depreciation and amortisation

Depreciation	10 281 169	8 963 861
Amortisation	731 649	333 663
	<u>11 012 818</u>	<u>9 297 523</u>

Figures in Rand	2018	Restated 2017
31. Contracted services		
Consultants and professional services		
Legal advice and litigation	575 967	2 477 946
Accounting and auditing	1 530 234	1 783 831
Audit Committee	83 346	197 794
Contractors		
Catering	194 044	42 865
Electrical	134 982	201 573
Event promoters	10 000	-
Maintenance of unspecified assets	1 424 187	1 408 139
Maintenance of buildings and facilities	262 137	1 552 159
Maintenance of equipments	47 021	130 486
Medical services	4 869	4 820
Pest control and fumigation	2 995	-
Security services	1 924 519	2 368 812
Transport services	111 377	-
Inspection fees	2 064	11 572
Outsourced services		
Animal care	1 803	-
Professional staff	152 961	449 390
Valuer and Assessor	498 047	3 158 043
Traffic and street lights	47 192	-
Burial Services	-	42 636
PMU	-	39 540
Library	-	728 756
	7 007 745	14 598 363
32. Inventory consumed		
Material and supplies	326 560	1 853 898
Standard rated	185 906	218 395
Zero rated	634 510	615 039
Agricultural	-	13 326
	1 146 976	2 700 658

Figures in Rand	2018	Restated 2017
33. Operational cost		
External audit fees	1 552 967	1 394 244
Firearm handling fees	11 613	8 042
Levies paid - Water Resource Management	549 348	382 692
Printing, publication and books	141 011	612 897
Professional Bodies	-	25 153
Remuneration to ward committees	556 800	350 945
Seating Allowance for Traditional Leaders	72 000	-
Skills Development Levy	192 353	267 004
Uniform and Protective Clothing	194 676	611 337
Bursaries non-employees	43 500	60 000
Gifts and promotional items	9 348	-
Municipal news letter	26 316	-
Staff recruitment	18 622	250 112
Tenders	-	20 600
Bank accounts	176 000	132 568
Long and short term loans and bonds	144 739	85 790
Cellular contracts (subscriptions)	771 765	846 214
Licences (Radio and television)	6 760	-
Rent private bag and postal box	789	805
Telephone installation	144 464	227 895
Telephone and fax	259 466	221 606
Councillors	20 950	28 300
Senior management	1 340	5 940
Premiums	1 770 643	1 615 437
Motor vehicle licence and registrations	18 376	79 626
Prepaid electricity	66 086	82 168
National	298 843	311 528
Accommodation	325 640	952 132
Daily allowance	200 369	-
Food and beverage	50 468	-
Incident Cost	33 093	-
Other transport provider	105 815	17 643
Car rental	15 410	-
Own transport	314 001	17 170
Toll gate fees	855	185 765
Corporate and Municipal Activities	30 342	432 210
Contribution to landfill site	4 194 713	407 332
Contribution to debt impairment	(4 030 106)	1 466 906
Contribution to leave accrual	350 235	919 998
Indigent Relief	-	6 997
Excess payment	-	19 604
Postage stamps	-	455
	8 639 611	12 047 116

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NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

Figures in Rand	2018	Restated 2017
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34. Operating lease

Operating lease as lessee

Total future minimum lease due

- Up to 1 year

- 2 to 5 years

- More than 5 years

-	-
-	-

Municipality leases photocopiers from Newcastle Office for 36 months in May 2015, lease has expired and the municipality is now on a month-to-month basis until the tender is advertised.

Operating lease as lessor

The municipality has low cost houses and flats that are leased to the public and staff. Lease rentals are based on a percentage of the lessee's income levels or on a rate below market value. These leases are cancellable at anytime by either party provided that one's month notice is given and there is o fixed lease period. The related properties are included in property, plant and equipment.

35. Cash generated from operations

Surplus/Loss for the year	9 697 935	4 363 080
Adjustment for:		
Depreciation and amortisation	11 012 818	9 297 523
Impairment loss	-	8 072
Debt impairment	(219 994)	1 466 906
Contribution to provision for employment benefits	882 235	(446 650)
Contribution to provision for landfill site	4 194 713	407 332
Cash payment GRAP 25		(647 003)
Non-cash transactions	(177 747)	(131 775)
Non-cash deemed cost - additions	(484 494)	(344 406)
Scrapped assets	45 878	(3 688)
Changes in working capital:		
Trade and other receivables from exchange	(736 655)	40 414
Trade and other receivables from non exchange transactions	(8 299 813)	(1 242 031)
Vat Receivable	699 717	(1 135 181)
Financial asset	(26 460)	-
Payables from exchange transactions	1 375 467	3 258 442
Payables from non-exchange transactions	(372 958)	468 635
Unspent conditional grant	(5 548 967)	3 510 790
Consumer deposits	-	1 218
Post employment benefit movements	317 999	(1 597 374)
Taxes and transfers payable (non-exchange)		158 974
Net cashflow from operating activities	12 359 674	17 433 279

Figures in Rand	2018	Restated 2017
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36. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

Financial assets category

Trade and Receivable from exchange	10 690 924	9 954 270
Trade and Receivable from non exchange	13 523 832	5 224 019
Financial Asset	348 072	321 611
Cash and cash equivalents	7 538 350	14 827 721
	32 101 177	30 327 621

Financial liabilities category

Payables from exchange transactions	13 954 582	12 579 114
Payables from non-exchange transactions	2 516 493	2 889 451
Consumer deposits	165 705	165 705
Unspent Conditional Grants	669 048	6 218 015
Current portion of long term loan	76 523	68 879
	17 382 351	21 921 165

37. Commitments

Authorised capital expenditure

Approved and contracted for

Capital

Property, plant and equipment and electrification projects	5 375 216	9 304 558
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Approved and not contracted for

Capital

Property, plant and equipment and electrification projects	-	10 000 000
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Total commitments

Approved and contracted for	5 375 216	9 304 558
Approved and not contracted for	-	10 000 000
	5 375 216	19 304 558

38. Contingent liabilities

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence.

39. Related parties

No related party relationship or transactions existed during the year.

Figures in Rand	2018	Restated 2017
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40. Risk management

Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash and cash equivalents and trade debtors. The only cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Otherwise, if there is no financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As municipality has no significant interest-bearing assets, the municipality's income and operating cashflows are substantially independent of changes in market interest rates.

41. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

There are no events after reporting date.

43. Unauthorised expenditure

Opening balance	11 673 382	8 019 623
Additions for the year	21 886 133	3 653 759
	33 559 515	11 673 382

44. Fruitless and wasteful expenditure

Opening balance	192 738	103 068
Additions for the year	23 337	89 670
	216 075	192 738

45. Irregular expenditure

Opening balance	50 408 180	32 430 386
Additions for the year	7 789 926	17 977 794
	58 198 106	50 408 180

Figures in Rand	2018	Restated 2017
45. Irregular expenditure (continued)		
Details of irregular expenditure		
SCM Process not followed	No disciplinary steps taken or criminal proceedings	7 159 886
Extension of scope of contractors not in line with	No disciplinary steps taken or criminal proceedings	565 272
Irregular expenditure SCM process partially follow criminal proceedings	No disciplinary steps taken or	64 768
		<u><u>7 789 926</u></u>

46. Deviations from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The aforesaid deviations for 17/18 amounted to R613 504.36 (2016/17 R1 223 819.73). These were also reported to the Council.

47. Reconciliation between budget and statement of financial performance

The budget is approved on an accrual basis and it covers period from 1 July 2017 to 30 June 2018. The budget and accounting basis are the same therefore financial statement and budget are on comparable basis and a reconciliation is not necessary.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	500 000	500 000
Amount paid current year	(500 000)	(500 000)
	<u>-</u>	<u>-</u>

Auditors remuneration - AGSA

Opening balance	6 072	-
Current year subscription	1 770 480	1 589 439
Amount paid current year	(1 771 759)	(1 583 367)
	<u>4 793</u>	<u>6 072</u>

PAYE

Opening balance	26 078	295 210
Current year subscription	4 677 049	4 239 149
Amount paid current year	(4 677 049)	(4 508 281)
	<u>26 078</u>	<u>26 078</u>

Figures in Rand	2018	Restated 2017
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48. Additional disclosure in terms of Municipal Finance Management Act (continued)

UIF

Opening balance		22 694
Current year subscription	368 047	338 164
Amount paid current year	(368 047)	(360 857)
	<u>-</u>	<u>-</u>

Councillor's arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days at June 2018.

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
	R	R	R
Councillor: T.S. Buthelezi	<u>6 025</u>	<u>-</u>	<u>6 025</u>

49. Electricity losses

Electricity losses in units (kWh) lost in distribution

Electricity units (kWh) purchased	12 526 589	12 566 349
Electricity units (kWh) sold	(8 766 269)	(9 432 136)
	<u>3 760 320</u>	<u>3 134 213</u>

Electricity losses for the period under review is 30% (2016/2017: 25%)

These losses are attributable to electricity within the aging and archaic electricity network infrastructure and illegal connections.

50. Biological assets

eMadlangeni Municipality Game Parks' main purpose is the conservation of a representative system of biodiversity encompassing fauna, flora and unique scenery within the Game Park. The Municipality does not manage the Game Park for the reproduction of biodiversity and significant sources of revenue comprise of tourism in the form of accommodation, game viewing and hunting fees. The municipality is involved in biological transformation of fauna and flora primarily as a service to the community for the purpose of recreational activity rather than for sale.

Biological assets are not recognised in the statement of financial position as their fair value or cost of the biological assets cannot be measured reliably due to nature. Quantities of biological assets cannot easily be ascertained as the municipality cannot keep up with births, deaths and migrations of wildlife as dictated by seasonal and other environmental factors. However, the municipality conducts aerial game counts from time to time.

Figures in Rand	2018	Restated 2017
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50. Biological assets (continued)

As at 30 June 2018 the estimated number of biological assets are as follows: 881 (2016/2017: 1012)

Movements of species 2017/2018

Opening balance	1 012	891
Blesbok	-18	72
Blue wildebeest	-47	5
Mount reedbuck		2
Plain zebra	-5	17
Red hartebeest		1
Waterbuck	(4)	14
Eland		2
Impala	-37	21
Giraffes		2
Warthog	(14)	(2)
Grey duiker		(6)
Nyala	(4)	(1)
Bushbuck		(2)
Kudu	(2)	(4)
Closing balance	881	1 012

51. Change in estimate

South African Revenue Services (SARS) increased the VAT rate from 14% to 15% from 1 April 2018 this results in a change in estimate.

The effect of the change in the current year was the increase in input VAT and output VAT for goods received and services rendered after 1 April 2018.

52. Correction of the prior year error

52.1 Reclassification due to implementation of MSCOA

There was a classification in the current year due to the implementation of Municipal Standard Chart of Accounts, there was no effect on the accumulated surplus due to this implementation.

REVENUE

Fines, penalties and forfeits

Previously reported 30 June 2017	355 702
Penalties on property rates reclassified to fines, penalties and forfeits	2 056 008
Library fines reclassified to operational revenue	(4 142)
Restated amount	2 407 568

Rental of facilities

Previously reported 30 June 2017	970 172
Reclassified from other income	8 970
Restated amount	979 142

Licences and permits

Previously reported 30 June 2017	828 320
Reclassified from other income	21 497
Reclassified to sale of goods	(1 929)
Reclassified to other income	(5 980)
Restated amount	841 907

Figures in Rand	2018	Restated 2017
52. Correction of the prior year error (continued)		
52.1 Reclassification due to implementation of MSCOA (continued)		
Sale of goods		
Previously reported 30 June 2017		-
Reclassified from other income		379 183
Reclassified from licences and permits		1 929
Restated amount		381 112
Interest received		
Previously reported 30 June 2017		1 428 216
Reclassified from other income		101 293
Restated amount		1 529 509
Operational revenue previously was other income		
Previously reported 30 June 2017		546 556
Reclassified to sale of goods		(379 183)
Reclassified to licences and permits		(21 497)
Reclassified to interest received		(101 293)
Reclassified from fines, penalties and forfeits		4 152
Reclassified to rental of facilities		(8 970)
Reclassified from licences and permits		5 980
Restated amount		45 746
EXPENSES		
Repairs and maintenance		
Previously reported 30 June 2017		1 910 637
Reclassified to contracted services		(1 910 637)
		-
Contracted Services		
Previously reported 30 June 2017		4 134 563
Reclassification		
Repairs and maintenance		1 910 637
Legal advice and litigation - from general expenses		2 477 946
Audit Committee fees - from general expenses		197 794
Catering - from general expenses		42 865
Security - from general expenses		2 368 812
Library grants - from general expenses		728 756
Maintenance software - general expenses		953 158
Accounting and auditing - general expenses		1 783 831
Restated amount		14 598 362

Figures in Rand	2018	Restated 2017
52. Correction of the prior year error (continued)		
52.1 Reclassification due to implementation of MSCOA (continued)		
Operational expenses - was general expenses		
Previously reported 30 June 2017		19 127 547
Reclassification		
Advertising to Inventory consumed		(238 180)
Legal fees to contracted services		(2 477 946)
Entertainment to inventory consumed		(118 765)
Security to contracted services		(2 368 812)
Maintenance software to contracted services		(953 158)
Audit committee fees to contracted services		(197 794)
Accounting and general expenses		(1 783 831)
Contribution to leave provision		919 988
Debt impairment		1 453 423
Skills Development Levy		267 006
Inventory consumed - consumables		(1 539 497)
Catering to contracted services		(42 865)
Restated amount		12 047 115
Inventory consumed		
Previously reported 30 June 2017		-
Consumables from general expenses		2 700 658
Restated amount		2 700 658
Employee related costs		
Previously reported 30 June 2017		28 011 929
Skills development levy to operational costs		(267 006)
Leave pay contribution		(919 988)
Ward Committee payment from general expenses		69 000
Other expenses to general expenses		(1 899 521)
Councillor payment incorrectly included to employee costs		(12 751)
Restated amount		24 981 663

Figures in Rand	2018	Restated 2017
52. Correction of the prior year error (continued)		
Remuneration of councillors		
Previously reported 30 June 2017		3 017 324
Reclassified from employee costs		12 751
Restated amount		<u>3 030 075</u>
52.2 Creditors		
Restatement of creditors for creditors written off as these were duplicated in prior year.		
Previously reported 30 June 2017		7 512 562
Creditors duplicated		(861 200)
VAT		(1 172)
Restated amount		<u>6 650 190</u>
Effect on accumulated surplus		
Previously reported 30 June 2017		153 906 789
Expenditure duplicated		1 766 808
Asset fair valued		484 494
Depreciation correction		(1 008 511)
Restated amount		<u>155 149 579</u>
52.3 Provisions		
Leave accrual previously disclosed as provision reclassified to payables from non-exchange as it does not meet the definition of provision in terms of GRAP 19 paragraph 18(b)		
Previously reported 30 June 2017		10 623 034
Leave accrual reclassified to payables from non-exchange		(2 240 142)
Restated amount		<u>8 382 892</u>
52.4 Payables from non-exchange		
Leave accrual previously disclosed as provision reclassified to payables from non-exchange as it does not meet the definition of provision in terms of GRAP 19 paragraph 18(b)		
Previously reported 30 June 2017		649 309
Leave accrual reclassified from provisions		2 240 142
Restated amount		<u>2 889 451</u>
52.5 Receivables from exchange transactions		
Previously reported 30 June 2017		59 599
Refuse debtors		7 304 334
Electricity debtors		1 986 567
Sundry debtors		603 770
Restated amount		<u>9 954 270</u>
52.6 Consumer debtors		
Previously reported 30 June 2017		9 894 671
Reclassified to receivables from exchange transactions- Refuse debtors		(7 304 334)
Reclassified to receivables from exchange transactions- Electricity debtors		(1 986 567)
Reclassified to receivables from exchange transactions -Sundry debtors		(603 770)
Restated amount		<u>0</u>
52.7 VAT receivables		
Previously reported 30 June 2017		5 922 860
VAT on creditors written-off		(1 172)
Restated amount		<u>5 921 688</u>

Figures in Rand	2018	Restated 2017
52 Correction of the prior year error (continued)		
52.8 Property, plant and equipment		
Previously reported 30 June 2017		107 326 144
Duplicated invoices - WIP		905 608
Correction on accumulated depreciation		(1 070 051)
Assets fair valued		484 494
Restated amount		107 646 195
52.9 Intangible assets		
Previously reported 30 June 2017		877 058
Correction on accumulated depreciation		126 696
Restated amount		1 003 754
52.10 Investment property		
Previously reported 30 June 2017		42 518 270
Correction on accumulated depreciation		(65 157)
Restated amount		42 453 113